

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Compliance Case Summary by County

ITEM NUMBER: 8

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: June 4, 1998

INFORMATION: X

PRESENTER(S): Mr. Lee

- a. Orange
- b. San Diego
- c. San Bernardino
- d. El Dorado
- e. Santa Clara
- f. Butte
- g. Riverside
- h. Stanislaus

The attached Executive Summaries present the highlights of 5 Compliance cases issued during the period of February through April 1998.

We completed 27 cases with 5 having findings requiring adjustments. This summary is presented in terms of the types of findings. The attached Executive Summaries present the findings by county.

Vacation Lump Sum Payments: One district in Stanislaus County reported vacation payments amounting to \$9,483.00 in each of the member's final compensation years. This error resulted in a retirement allowance overstated by \$166.00 per month, representing a net present value cost of \$25,039.00. The district is required to remove the vacation payments from creditable compensation and refund the member contributions to the retired member.

Unapproved Pay Raise: One district in Orange County reported an unapproved pay raise for a retiring administrator raising his last year of creditable compensation from \$68,027.00 to \$81,100.00. This error required the employer to adjust his creditable compensation to the approved amount of \$68,027.00 and refund the overpaid member contributions to the retired member.

Overstated Contract Base Days: One district in San Diego County incorrectly reported 2 members contract base days in their last year before retirement. The error caused one member's retirement allowance to be overstated by \$18.79 per month. The second members' allowance was overstated by \$56.35 per month. The district corrected the base day and the retirement.

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allowance was recalculated, and a receivable was established to collect the overpaid retirement allowances

Overstated Earnings: One district in San Diego County reported overstated creditable compensation for one retiring member in two of his last three years of service. This error caused the retirement allowance to be overpaid by \$64.65 per month. The district must adjust the overstated creditable compensation and refund overpaid member contributions to the retired member.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
Orange County**

Period of Compliance Case Review: February, March & April 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions: \$ 0
Retirement allowance, unfunded
liability (net present value): \$13,180.

Cost:

Direct costs (staff
salary, fringe
benefits: \$281.

Excess post-retirement earnings: \$ 0
TOTAL DOLLAR EFFECT: \$13,180.

Benefit per dollar spent \$46.90

Unreported post-retirement
earnings: \$ 0

1. Finding:

Member retired on 12-01-92. Member was working a 12-month contract and worked half of the year. The employer reported member's creditable compensation from 07-01-92 to 11-30-92 as though the member worked a 10-month contract. The result was creditable compensation inflated from \$68,027.00 to \$81,100.00 for 1992-93, a final compensation year. The error caused the member to receive a retirement allowance overstated by \$93.50 per month. Adjustments were requested from the district that will restore the member's creditable compensation to the amount stated in the contract, which is \$68,027.00. The member's earnings did not change, so contributions are accurate as reported.

Adjustment Needed:

The district must submit corrections to eliminate the incorrectly reported creditable compensation for the period of 07-92 through 12-92. The corrections are to be submitted on STRS Form F-496 Monthly Report of Contributions in accordance with Education Code § 23008 (a). Corrections will remove the overstated creditable compensation and restore it to the accurate amount as noted above. The overstated retirement allowance will be recalculated using correct employer data, and any allowance overpayment will be reconciled through the billing process.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
San Diego County**

Period of Compliance Case Review: February, March & April 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 3

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions	\$ <u>0</u>
Retirement allowance, unfunded	\$ <u>19,434</u>
Liability (net present value)	
Excess post-retirement earnings	\$ <u>0</u>

Cost:

Direct costs (staff	
salaries, fringe	
benefits)	\$ <u>3,281</u>

TOTAL DOLLAR EFFECT	\$ <u>19,434</u>	Benefit per dollar spent \$<u>5.92</u>
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Unreported post-retirement	\$ <u>0</u>
Earnings	

Finding:

1. **Overstated Contract Base Days:** The District incorrectly reported the contract base days of two members during their final service year. Both members retired in 1996. This error caused the first members service retirement allowance to be overstated \$18.79 per month. The second members allowance was overstated \$56.35 per month.

Adjustment Needed

The District submitted CalSTRS Form MS 0059 *Employment Termination or Sick Leave Data Correction* which corrected the contract base days for two members from 184 to 247. CalSTRS Service Retirement Unit recalculated the service retirement allowance using the correct contract base days and set up a receivable for the overpaid allowance.

2. **Overstated Earnings:** In another case, the District overstated the earnings of a member for two of the three years used to calculate final compensation. This error caused the members service retirement allowance to be overstated \$64.65 per month.

Adjustment Needed

The District has been instructed to submit corrections to eliminate the overstated earnings. The corrections are to be submitted on CalSTRS Form F-496 Monthly Report of Retirement Contributions in accordance with Education Code Section 23008 (a). Once the corrections are submitted, the retired members service retirement allowance will be reduced and a receivable set up to collect the overpaid allowance.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
Stanislaus County**

Period of Compliance Case Review: February, March & April 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions	<u>\$ 1,541.</u>
Retirement allowance, unfunded liability (net present value)	<u>\$25,039.</u>

Cost:

Direct costs (staff salaries, fringe benefits)	<u>\$575.</u>
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Excess post-retirement earnings	<u>\$ 0</u>
TOTAL DOLLAR EFFECT	<u>\$23,498.</u>

Benefit per dollar spent \$40.86

Unreported post-retirement earnings	<u>\$ 0</u>
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1. Finding:

Vacation Lump-Sum Payments: The district incorrectly reported to STRS vacation payments of \$3,161.00 each year for 1990-91, 1991-92, and 1992-93. The overstated creditable compensation amounts to \$9,483.00 for which member and employer contributions amounts to \$1,541.00. This error caused the member's retirement allowance to be overstated by \$166.23 per month. The employee contributions due the member equal \$759.00 ($9,483 \times 8\% = 759$).

Adjustment Needed:

The district must submit corrections to eliminate the incorrectly reported creditable vacation payments for the years stated above. The corrections are to be submitted on STRS Form F-496 Monthly Report of Contributions in accordance with Education Code § 23008 (a). The district must return the corresponding employee contributions to the member. The member's retirement allowance will be recalculated using the corrected employer data. The retirement allowance overpayment will be reconciled through the billing process.